

## **AUDIT ASSISTANCE GUIDE SUMMARY OF APPENDIX H**

**ADP #95-45**, October 16, 1995, Drug/Medi-Cal Billing Claim Guidelines, Fiscal Year 1995-96

In addition to claiming instructions, this letter explained the basic principles of cost allocation, as well as the impact of AB 911 on ODF reimbursement by Drug Medi-Cal. Further, a definition of “unrestricted funds” was provided, a definition which was ultimately redefined in ADP Bulletin #98-18. ADP Bulletin #98-18 partially superseded ADP #95-45.

**ADP #96-05**

This letter provided a general description of the Lower of Cost or Charges (LCC) principle. Because it did not provide enough information for counties/providers to apply the principle, it was supplemented with ADP # 96-22.

**ADP #96-22**, April 17, 1996, Additional Information on the Lower of Costs or Charges Principle

This letter supplements and clarifies ADP #96-05, providing more information regarding how the LCC principle is applied. Additional information on this topic is presented in ADP #97-38, as related to Narcotic Treatment Programs under AB 2071.

**ADP #96-27**, June 3, 1996, Enforcement of ADP #96-09

This letter discussed how the Department would enforce the restrictions specified in ADP #96-09, which prohibited outpatient DMC clinic certification for services to certain residential treatment clients.

**ADP #96-31**, June 18, 1996, OMB Circular A-133 Reminder Letter, FY 1994-95

This letter, in addition to reminding counties of the A-133 audit requirement, transmitted the most comprehensive listing of Federal requirements which ADP has made available. A compliance supplement was promised for the next year’s reminder, which would provide specific guidance to auditors in testing for compliance with the requirements. The letter was only sent to the county administrators and direct service contractors.

It is noteworthy that the information contained in this document was prior to AB 2071, which changed the DMC reimbursement process for Narcotic Treatment Programs.

Additionally, it should be noted that for those programs to which the requirements continue to apply, the DMC threshold for defining a capital expenditure (i.e. equipment) has changed from \$500 to \$5,000 per item. This will require a change to Title 9, CCR, Section 9440 to implement this change at the state level.

Another change is in the monetary threshold above which an OMB Circular A-133 audit is required. At the time ADP #96-31 was written, receipt of \$250,000 or more in Federal awards required an A-133 audit. At this time, the threshold is \$300,000.

**ADP #96-64, December 27, 1996, Prohibition of Profit on Federal Grants**

This letter proclaimed the prohibition of profit on the SAPT Block Grant, referencing ambiguous and conflicting language in the Health and Safety Code. While legal analysis supported this position, intent of the legislation was the ultimate factor in reversing this position in ADP #97-66.

**ADP #96-66, December 31, 1996, Allowable Funding Sources for Drug Medi-Cal Costs**

This letter described the funding sources which could be used to fund various services to DMC beneficiaries. It provided a narrow definition of “unrestricted funds”, as not including State General Fund (SGF) or county matching funds.

**ADP #97-24, April 25, 1997, OMB Circular A-133 Reminder Letter**

This was another reminder letter for submission of OMB Circular A-133 audit reports. It did not contain the auditing compliance tests mentioned in the previous reminder letter. This was due to statements made by OMB that a detailed compliance supplement was to be issued by that agency.

**ADP #97-26, April 25, 1997, Clarification of ADP 96-64**

This was a question and answer letter to discuss ADP #96-64 in greater detail. These answers were modified in ADP #98-17.

**ADP #97-38, June 25, 1997, Private Charge Structure Information For NTP Providers--Audit Bulletin**

This letter detailed how the Lower of Cost or Charges requirement would now be applied under the AB 2071 system. This was augmented with a training session and discussion forum with NTP providers.

**ADP #97-39, June 27, 1997, Narcotic Treatment Programs--Audit Bulletin**

This letter provided a list of fiscal issues that NTP audits would continue to address under AB 2071. Specific consequences/actions were tied to the specific deficiencies.

**ADP #97-66**, November 25, 1997, Modification of ADP #96-64, Federal Grant Profit

This letter was a retraction of ADP #96-64 regarding the prohibition of profit on the SAPT Block Grant. This letter promised a subsequent letter to provide details of SAPT Block Grant fiscal restrictions.

**ADP Bulletin #98-16**, April 9, 1998, Federal Block Grant Expenditure Restrictions

This bulletin provided a description of the SAPT Block Grant fiscal restrictions promised in ADP #97-66. It discusses how allowability of costs will be considered under negotiated rate contracts. It also makes it clear that the building of profit into a negotiated rate is inappropriate.

**ADP Bulletin #98-17**, April 9, 1998, Profit on Federal Grants

This bulletin was to clarify, update, and modify answers provided in ADP #97-26 in regards to profit on SAPT Block Grant.

**ADP Bulletin #98-18**, April 9, 1998, Cost Allocation and Drug Medi-Cal Reimbursement

This bulletin updated and superseded portions of ADP #95-45 and modified portions of ADP #96-66. State General Funds (and county matching funds) were added to the definition of unrestricted funds available to cover DMC costs in excess of the DMC maximum allowance (rate cap).

**ADP Bulletin #98-31**, June 18, 1998, Annual OMB Circular A-133 Reminder Letter for FY 1996-97

This was another reminder bulletin for submission of OMB Circular A-133 audit reports. At this time, the OMB compliance supplement was still awaited. However, when subsequently received, the detail for alcohol and drug services was missing.

**ADP Bulletin #98-42**, August 17, 1998, Fiscal/Audit Questions and Answers

This bulletin answered questions raised by the California Association of Addiction Recovery Resources (CAARR). Generally, the questions and answers provide the audit perspective on allowability and support for costs reimbursed with SAPT Block Grant and SGF, with an emphasis on residential treatment. Some DMC considerations are also mentioned. The bulletin does not deal with NTPs under AB 2071, which are no longer part of a cost-reimbursement or negotiated rate system.

**ADP Bulletin #99-17**, May 19, 1999, Update to Audit Assistance Guide

This bulletin provided an update to the Audit Assistance Guide (AAG), the last version of which was issued November 1, 1990. The AAG was issued primarily for the benefit of alcohol and drug treatment providers. It provided a basic framework for establishing an accounting system that facilitates compliance with funding source requirements. This guidance was provided to minimize the risk of audit exceptions.

**ADP Bulletin #99-21**, June 3, 1999, Counselor Indicators Required on DMC Claims

This bulletin informed Drug Medi-Cal (DMC) providers that counselor indicators will be required on DMC claims for outpatient drug free and narcotic treatment program counseling services. This requirement allows the State to more efficiently evaluate program activity by identifying the counseling staff time devoted to client counseling. This will establish a tool for the provider to develop a more complete audit trail to document their counseling staff hours.

**ADP Bulletin #99-39**, December 2, 1999, Clarification of Drug Medi-Cal Share of Cost, Co-Payment, and the Right to a Fair Hearing

This bulletin provided information regarding the Drug Medi-Cal (DMC) share-of-cost (SOC), co-payment, and notification of the right to a fair hearing.